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**HORNE & PITFIELD**

FOODS LIMITED

**ANNUAL REPORT '70**







**HORNE & PITFIELD**

**FOODS LIMITED**

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# **Information Circular**

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The information contained in this circular is furnished in connection with the solicitation of proxies by the management of HORNE & PITFIELD FOODS LIMITED (hereafter sometimes called "the Company") for use at the Annual General Meeting of Shareholders of the Company to be held at the Head Office of the Company, 14550 - 112 Avenue, Edmonton 42, Alberta on Tuesday, the 25th day of August, 1970 at 2:00 o'clock in the afternoon (Mountain Standard Time) for the purposes set forth in the accompanying notice of meeting. It is expected that solicitations will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation will be borne by the Company.

## **VOTING SHARES**

Only the holders of Common Shares of the Company are entitled to vote at the annual general meeting. Each holder of a Common Share of the Company of record on August 10th, 1970, is entitled to one vote for each share held. The Company had outstanding 1,832,554 Common Shares as at July 13th, 1970.

## **ELECTION OF DIRECTORS**

The following are the names of the persons who are proposed nominees for election as directors. It is intended that the shares represented by the proxy hereby solicited will be voted in favour of their election as directors:

Edward Eversley Bishop, Q.C., Secretary

Bryan Alexander Ellis

Robert Lloyd Hunter

Bertram Isaac Loeb, Chairman of the Board

David Bertram Loeb

Kenneth Wellington Quinn, C.A., President and General Manager.

The term of office of each such person is until the next annual meeting or until his successor is elected or appointed. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not aware that any of such nominees would be unwilling to serve as a director if elected.

## INFORMATION CONCERNING NOMINEES AS DIRECTORS

<i>Name and Principal Occupation</i>	<i>Year First Appointed a Director</i>	<i>Common Shares Beneficially Owned Directly or Indirectly as of July 13, 1970</i>
Edward Eversley Bishop, Q.C. Senior Partner Bishop, McKenzie, Jackson, Redmond, Bentley & Sharpe Barristers & Solicitors	1962	100
Bryan Alexander Ellis President Associated Engineering Services Ltd.	1969	100
Robert Lloyd Hunter Vice-President Pitfield, Mackay, Ross & Co., Ltd.	1959	2,100
David Bertram Loeb Consultant, Real Estate Development, M. Loeb Limited President, Ottawa Football Club Limited	1961	9,400
Bertram Isaac Loeb Chairman of the Board and President M. Loeb Limited	1959	15,400
Kenneth Wellington Quinn, C.A. President Horne & Pitfield Foods Limited	1959	14,148

*Note*—All nominees have continuously served as directors of the Company from the years indicated.

## REMUNERATION AND INTEREST OF MANAGEMENT AND OTHERS

During the fiscal year ended April 4th, 1970, the aggregate direct remuneration paid or payable by the Company and its subsidiaries to all directors and senior officers as a group was \$136,534.88.

During the fiscal year ended April 4th, 1970, the estimated aggregate cost to the Company and its subsidiaries of all pension benefits proposed to be paid under the Company's retirement pension plan to all directors and senior officers as a group was \$15,243.81.

During the fiscal year ended April 4th, 1970, options were granted to directors and senior officers to purchase 5,000 common shares at \$2.55 per share over a period of five years expiring December 12th, 1975. The price range in the 30 day period preceding the grant was \$3.25 - \$2.95.

Particulars of options on common shares exercised by directors and senior officers subsequent to April 5th, 1969 are as follows:

<i>Date of Purchase</i>	<i>Number of Common Shares</i>	<i>Price</i>	<i>Price Range 30 Day Period Preceding Date of Purchase</i>
September 8, 1969	500	\$2.64	\$3.55 - \$3.20
October 24, 1969	500	\$2.64	\$3.40 - \$3.10



## **APPOINTMENT OF AUDITORS**

It is intended to vote the proxy to re-appoint Messrs. Price Waterhouse & Co., Chartered Accountants, the present auditors, as auditors of the Company to hold office until the next annual meeting of shareholders. Messrs. Price Waterhouse & Co. were first appointed auditors of the Company on May 26, 1959.

## **MATTERS TO BE ACTED UPON**

Shareholders will be asked to ratify the reservation of a further 100,000 common shares for the purpose of the stock option plan for officers and senior employees.

## **VOTING OF PROXIES**

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the meeting other than the persons designated in the enclosed form of proxy. To exercise this right the shareholder may insert the name of the desired person in the blank space provided in the form of proxy and strike out the other names or may submit another appropriate proxy.

Unless otherwise specified, the proxy will be voted in favour of the reservation of 100,000 shares aforesaid, the election of the directors nominated, the re-appointment of Messrs. Price Waterhouse & Co., as auditors, the approval of the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended April 4th, 1970 and the reports of the Board and the auditors thereon.

The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting.

A shareholder executing the enclosed form of proxy has the power to revoke the proxy at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof. Section 128 (c) (iv) of the Companies Act, Alberta, sets out a procedure for revoking the proxy by depositing an instrument in writing at the Head Office of the Company.

## **GENERAL**

The management knows of no matters to come before the Annual Meeting of Shareholders other than matters referred to in the notice of meeting. However, if any other matters which are not now known to the management should properly come before the meeting the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

Dated July 20th, 1970.

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# **NOTICE OF ANNUAL GENERAL MEETING**

TAKE NOTICE that the Annual General Meeting of HORNE & PITFIELD FOODS LIMITED will be held at the Head Office of the Company, 14550 112 Avenue in the City of Edmonton, Province of Alberta, at 2 o'clock in the afternoon (Mountain Standard Time) on Tuesday, the 25th day of August, A.D. 1970, to

- (a) receive the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended April 4, 1970 together with the reports of the directors and auditors thereon, copies of which accompany this notice;
- (b) elect directors;
- (c) appoint auditors and authorize the directors to fix their remuneration.
- (d) consider the ratification of the reservation of shares for the stock option plan, and
- (e) transact such other business as may properly come before the meeting or any adjournment thereof.

Dated at Edmonton, Alberta, this 13th day of July, A.D. 1970.

BY ORDER OF THE BOARD,  
Edward Eversley Bishop, Q.C., Secretary.



If you are unable to attend this meeting in person, please return your proxy, thus enabling your shares to be voted at the aforementioned meeting. For your convenience, a form of proxy is attached to this notice which you are requested to date, sign, detach and return.







## HIGHLIGHTS

	1970	% Change	1969
Sales	\$70,588,634	+9.0	\$64,787,074
Income before taxes	1,056,904	+2.0	1,036,083
Income taxes	560,000	+7.7	520,000
Income after taxes	496,904	-3.7	516,083
Dividends	183,230		182,546
Shareholders' equity	5,128,381	+6.6	4,809,163
PER SHARE			
Income before taxes	57.7c	+1.9	56.6c
Income taxes	30.6c	+7.7	28.4c
Income after taxes	27.1c	-3.9	28.2c
Dividends	10c		10c
Shareholders' equity	\$2.80	+6.5	\$2.63





## DIRECTORS' REPORT TO THE SHAREHOLDERS

It is our pleasure to report to you on the 1969-70 fiscal year of operations ended April 4th, 1970.

### SALES:

Consolidated sales reached a record high of \$70,588,634, an increase of \$5,801,560 or 9% over the preceding year. This increase in sales was achieved despite the weakness of the economy in our trading area and the intense competition that prevailed at both wholesale and retail levels.

### EARNINGS:

Compared with last year, net income before income taxes was up 2% to \$1,056,904 and would have been greater but for the continuing increase in operating costs caused mainly by higher salaries and wages, interest rates and the expense of all types of services.

Income taxes were up 7.7% to \$560,000 and resulting net income was down 3.7% to \$496,904. On a per share basis, net income was 27.1c on 1,832,554 shares outstanding this year as compared with 28.2c on 1,830,454 outstanding last year.

### DIVIDENDS:

During the year under review, semi-annual dividends of 5c each were declared payable to shareholders of record October 6th, 1969 and April 6th, 1970. These dividends to shareholders totalled \$183,230.

### FINANCIAL POSITION:

Cash flow from operations was \$748,042 this year as compared with \$737,877 last year. Expenditures on the purchase of fixed assets were reduced substantially this year resulting in an improvement in working capital of \$277,797. At year-end, current assets were \$7,695,431 and current liabilities \$4,880,271 for a working capital ratio of 1.58:1 as compared with 1.47:1 last year.

### DEVELOPMENT:

Our policy of upgrading and expanding stores in the IGA retailer group continued. During the year a new Foodliner was opened at Blairmore and an older unit at Wetaskiwin was replaced by a modern 10,000 square foot Foodliner complete with an in-store bakery. Two other stores were expanded and renovated and five smaller units were converted to other programs of the Company. Our franchise for the development of "Much More" stores is restricted to Alberta and a portion of the North West Territories and, therefore, a new group



of Triple S stores was developed from the theme Service, Savings and Satisfaction. In January 1970 the program was launched with the simultaneous opening of 17 stores in Southwest Saskatchewan and Southeast Alberta.

The development of our "Much More" program of independent retailers continued and during the year the number of stores serviced was increased from 336 to 348.

The wholesale operations of the Company were also expanded during the year with the opening of a second Cash & Carry warehouse in Calgary and the replacement of an older depot in Edmonton with new expanded premises.

#### FUTURE OUTLOOK:

Unsettled economic conditions are still evident in our trading territory, competition remains intense and highly competitive food prices at retail level continue to affect our operations. While we expect a continuation of increased sales for the ensuing year, it would appear that the rate of growth will be somewhat less than last year.

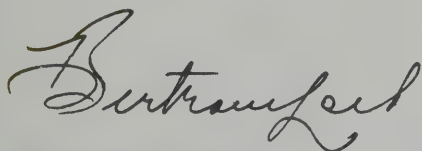
The rising costs of transacting business, which reduced our net income before taxes to 1.5% of sales this year as compared with 1.6% last year, are likely to continue. To overcome this situation, new retail advertising programs have been introduced, and an intensified program of income and expense control is being employed.

#### RECOGNITION:

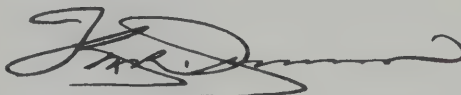
Our greatest single asset is the men and women of our Company who accept the day-to-day responsibilities of operations. Again it is our pleasure to record our sincere appreciation for their dedication during the past year. To our many customers and suppliers our thanks again for the splendid co-operation and support received.

Shareholders are cordially invited to attend the Annual General Meeting to be held at the Head Office of the Company, 14550 - 112th Avenue, Edmonton, Alberta, on Tuesday, August 25th, 1970 at 2:00 o'clock in the afternoon.

On behalf of the Board of Directors.



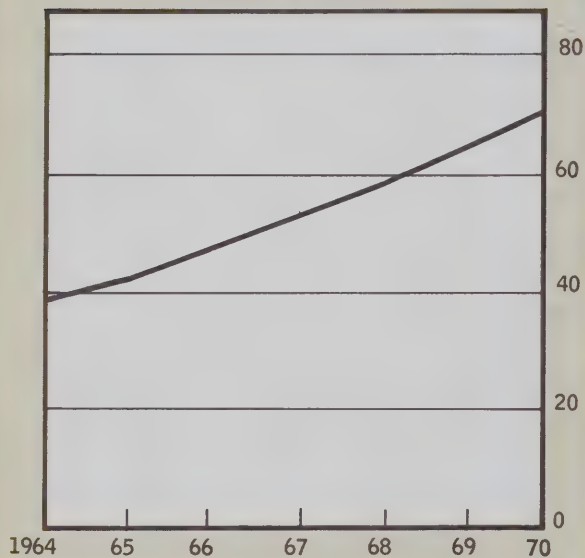
BERTRAM LOEB  
Chairman of the Board



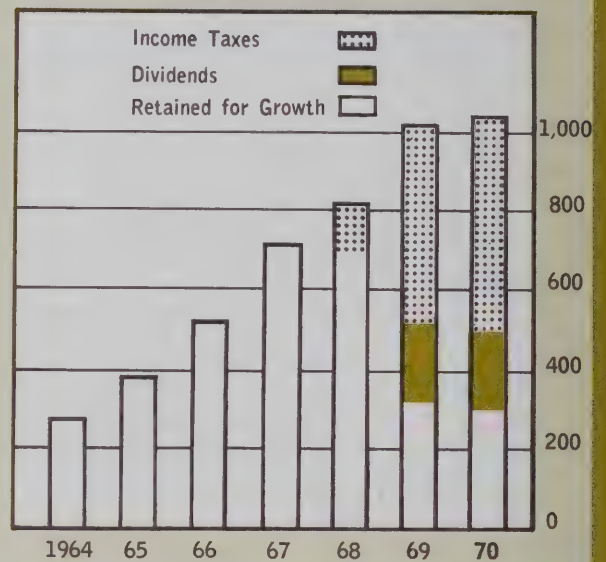
KENNETH W. QUINN  
President and General Manager

# GROWTH AT A GLANCE

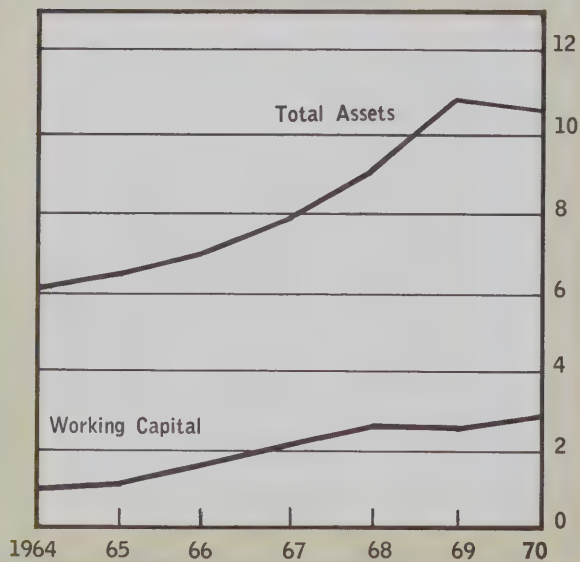
**SALES**  
(Millions of Dollars)



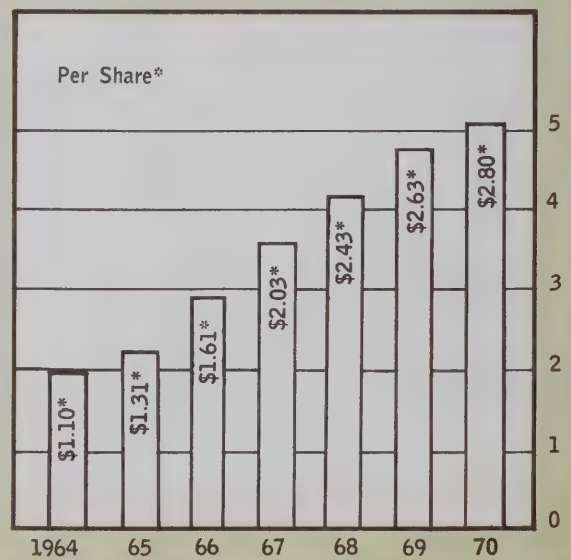
**DISTRIBUTION OF EARNINGS**  
(Thousands of Dollars)



**ASSETS**  
(Millions of Dollars)



**SHAREHOLDERS' EQUITY**  
(Millions of Dollars)







## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE FISCAL YEAR ENDED APRIL 4, 1970  
(with comparative figures for the preceding fiscal year)

	1970	1969
Sales	<u>\$70,588,634</u>	<u>\$64,787,074</u>
Operating income before the undernoted	<u>1,541,410</u>	<u>1,399,199</u>
Provision for depreciation	251,138	221,794
Bank loan interest	192,595	98,334
Interest on long-term liabilities	40,773	42,988
	<u>484,506</u>	<u>363,116</u>
Income before taxes	1,056,904	1,036,083
Provision for income taxes	<u>560,000</u>	<u>520,000</u>
Net income for the year	496,904	516,083
Retained earnings at beginning of year	578,934	224,887
Excess of book value of subsidiaries acquired during the year over cost of investment	<u>—</u>	<u>20,510</u>
	1,075,838	761,480
Dividends	<u>183,230</u>	<u>182,546</u>
Retained earnings at end of year	<u>\$ 892,608</u>	<u>\$ 578,934</u>

# CONSOLIDATED BALANCE SHEET

(WITH COMPARATIVE FIGURES)

ASSETS	1970	1969
<b>CURRENT ASSETS:</b>		
Cash	\$ 11,430	\$ 120,282
Accounts receivable	2,333,825	2,788,672
Current instalments on deferred accounts receivable	317,488	259,357
Inventories of merchandise, at lower of cost or market	4,698,383	4,519,503
Prepaid expenses	125,927	105,036
Land and buildings held for sale and leaseback, at cost	208,378	196,732
	<u>7,695,431</u>	<u>7,989,582</u>
<b>OTHER ASSETS:</b>		
Deferred accounts receivable, less \$317,488 included in current assets	632,236	583,231
Cash surrender value of life insurance	10,250	—
	<u>642,486</u>	<u>583,231</u>
<b>FIXED ASSETS, at cost:</b>		
Land and buildings (Note 2)	1,559,754	1,432,268
Equipment	<u>1,712,535</u>	<u>1,715,366</u>
	3,272,289	3,147,634
Less—Accumulated depreciation	1,158,266	977,441
	<u>2,114,023</u>	<u>2,170,193</u>
	<u>\$ 10,451,940</u>	<u>\$10,743,006</u>



# CE SHEET APRIL 4, 1970

URES AS AT APRIL 5, 1969)

LIABILITIES	1970	1969
<b>CURRENT LIABILITIES:</b>		
Bank loans and outstanding cheques (Note 3)	\$ 2,866,074	\$ 2,557,033
Accounts payable and accrued liabilities	1,863,399	2,297,010
Dividend payable	91,628	91,523
Income taxes payable	10,905	441,041
Current instalments on long-term liabilities	48,265	65,612
	<u>4,880,271</u>	<u>5,452,219</u>
<b>MORTGAGES AND OTHER LONG- TERM LIABILITIES, less \$48,265 included in current liabilities</b>	<u>443,288</u>	<u>481,624</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital (Note 4) —		
Authorized—2,100,000 shares of a par value of 20 cents each		
Issued—1970—1,832,554 shares	366,511	—
1969—1,830,454 shares	—	366,091
Premium on share capital	3,869,262	3,864,138
Retained earnings	892,608	578,934
	<u>5,128,381</u>	<u>4,809,163</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
On Behalf of the Board:		
BERTRAM LOEB, Director		
KENNETH W. QUINN, C.A., Director		
	<u>\$10,451,940</u>	<u>\$10,743,006</u>



## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE FISCAL YEAR ENDED APRIL 4, 1970  
(with comparative figures for the preceding fiscal year)

	1970	1969
Source of funds:		
Operations—		
Net income	\$ 496,904	\$ 516,083
Depreciation, a non-cash expense	251,138	221,794
Total from operations	748,042	737,877
Increase in long-term liabilities	—	3,329
Decrease in deferred accounts receivable	—	270,037
Share capital issued	5,544	46,049
Special refundable tax	—	27,853
Excess of book value of net assets of subsidiaries acquired over cost	—	20,510
	<u>753,586</u>	<u>1,105,655</u>
Application of funds:		
Purchase of fixed assets (net)	194,968	950,583
Dividends	183,230	182,546
Increase in deferred accounts receivable	49,005	—
Decrease in long-term liabilities	38,336	—
Cash surrender value of life insurance	10,250	—
	<u>475,789</u>	<u>1,133,129</u>
Increase (decrease) in working capital	277,797	(27,474)
Working capital at beginning of year	2,537,363	2,564,837
Working capital at end of year	<u>\$ 2,815,160</u>	<u>\$ 2,537,363</u>



# NOTES TO FINANCIAL STATEMENTS

## 1. CONSOLIDATION:

All subsidiaries of Horne & Pitfield Foods Limited are wholly-owned and the consolidated financial statements include the accounts of all subsidiaries.

The Company is the registered owner of more than 50% of the voting shares of some retailing companies in which there are minority interests. These shares are held solely for the purpose of protecting the Company's position on advances to such companies. Accordingly, these companies are not considered to be subsidiaries and their financial results have not been included in the consolidated accounts.

## 2. FIXED ASSETS:

The cost of warehouse buildings constructed on leased properties, included in land and buildings is \$757,132.

## 3. BANK LOAN:

The bank loan of the Company is secured by a general assignment of book debts.

## 4. SHARE CAPITAL:

Of the authorized but unissued common shares of the Company, 100,000 were set aside in 1964 under a plan to grant options to officers and senior employees.

Options were granted as follows:

Date	Number of Shares	Price	Expiry Date	Outstanding April 4, 1970
November 12, 1964	72,000	\$2.64	September 1, 1970	28,200
October 17, 1968	14,500	3.03	October 1, 1974	11,500
December 12, 1969	5,000	2.55	December 1, 1975	5,000

Options to purchase 39,400 shares at \$2.64 have been exercised to date, of which 2,100 were exercised during the year ended April 4, 1970, for \$5,544, of which \$5,124 was credited to premium on share capital.

Under the employees stock purchase plan, subscriptions which may be cancelled at the option of the employee and which shall be cancelled on termination of employment were outstanding at April 4, 1970 for the purchase of 1,450 shares at \$3.00 per share.

## 5. COMMITMENTS AND CONTINGENCIES:

The companies have obligations under long-term leases for rentals of warehouses and retail stores aggregating \$935,751 per annum of which \$602,987 is recoverable from sub-leases to others.

The companies are co-signers on equipment purchase and other agreements in the amount of \$379,814.

## 6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate direct remuneration of directors and senior officers for the year ended April 4, 1970 was \$136,535.

# AUDITORS' REPORT

## TO THE SHAREHOLDERS OF HORNE & PITFIELD FOODS LIMITED:

We have examined the consolidated balance sheet of Horne & Pitfield Foods Limited and its wholly-owned subsidiaries as at April 4, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 4, 1970 and the results of their operations and the source and application of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta  
July 9, 1970

PRICE WATERHOUSE & CO  
Chartered Accountants



## STATISTICAL REVIEW

### OPERATING RESULTS:

Sales

Depreciation

Income before taxes

Percent of sales

Cents per share

Income taxes

Net income

Cents per share

Cash flow

Cents per share

Dividends

Cents per share

### FINANCIAL POSITION:

Working capital  
Ratio

Total assets

Shares issued

Shareholders' equity

Equity per share

### OTHER INFORMATION:

Shareholders

IGA stores

MM stores

Triple S



	1964	1965	1966	1967	1968	1969	1970
\$	38,598,407	42,064,613	47,107,790	52,838,914	58,114,973	64,787,074	70,588,634
\$	82,609	92,243	93,687	97,774	158,684	221,794	251,138
\$	290,265	391,909	540,239	728,706	828,080	1,036,083	1,056,904
%	.75	.93	1.15	1.38	1.42	1.60	1.50
c	16.2	21.9	30.2	40.7	45.7	56.6	57.7
\$	*	*	*	*	120,000	520,000	560,000
\$	290,265	391,909	540,239	728,706	708,080	516,083	496,904
c	16.2	21.9	30.2	40.7	39.1	28.2	27.1
\$	372,874	492,579	650,704	826,480	866,764	737,877	748,042
c	20.8	27.5	36.3	46.2	47.8	40.3	40.8
\$	—	—	—	—	—	182,546	183,230
c	—	—	—	—	—	10.0	10.0
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\$	1,019,075	1,188,401	1,639,381	2,167,367	2,564,837	2,537,363	2,815,160
	1.26:1	1.29:1	1.41:1	1.54:1	1.63:1	1.47:1	1.58:1
\$	6,119,979	6,560,734	6,970,884	7,806,908	8,990,386	10,743,006	10,451,940
	1,790,191	1,790,191	1,790,691	1,790,691	1,813,191	1,830,454	1,832,554
\$	1,971,187	2,342,459	2,893,481	3,634,817	4,409,067	4,809,163	5,128,381
\$	1.10	1.31	1.61	2.03	2.43	2.63	2.80
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	3,342	3,304	3,861	3,966	4,163	3,655	3,541
	52	60	63	68	74	76	72
	283	310	320	325	315	336	348
	—	—	—	—	—	—	18

No provision for income tax was required for these years due to the tax loss position of the companies consolidated.





## **HORNE & PITFIELD FOODS LIMITED**

### **DIRECTORS:**

EDWARD E. BISHOP, Q.C.  
BRYAN A. ELLIS  
ROBERT L. HUNTER  
BERTRAM LOEB  
DAVID B. LOEB  
KENNETH W. QUINN, C.A.

### **OFFICERS:**

BERTRAM LOEB, Chairman of the Board  
KENNETH W. QUINN, C.A., President and General Manager  
EDWARD E. BISHOP, Q.C., Secretary  
THOMAS JACKSON, Assistant Secretary  
A. NELSON GAHN, Vice-President and Assistant General Manager  
DAVID W. MELLOR, C.A., Vice-President and Treasurer  
RONALD J. GARLAND, Vice-President, Administration and Personnel  
JOHN SEMMENS, Vice-President, Retail Operations

**BANKERS:** Royal Bank of Canada

**REGISTRARS AND TRANSFER AGENTS:** Montreal Trust Company

**AUDITORS:** Price Waterhouse and Co.

**LISTED ON:** Toronto Stock Exchange; Montreal Stock Exchange







**HORNE & PITFIELD**



FOODS LIMITED